

VZCZCXRO5566  
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DE RUEHKA #0015/01 0061122  
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FM AMEMBASSY DHAKA  
TO RUEHC/SECSTATE WASHDC PRIORITY 5907  
INFO RUEHLM/AMEMBASSY COLOMBO PRIORITY 8249  
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1977  
RUEHKT/AMEMBASSY KATHMANDU PRIORITY 9470  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0403  
RUEHCI/AMCONSUL KOLKATA PRIORITY 1096

C O N F I D E N T I A L SECTION 01 OF 03 DHAKA 000015

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DEPARTMENT FOR F

E.O. 12958: DECL: 01/06/2018

TAGS: [EAID](#) [ECON](#) [PGOV](#) [PREL](#) [MPOS](#) [BG](#)

SUBJECT: SCENESETTER FOR USAID WARD'S VISIT TO BANGLADESH

Classified By: CDA a.i. Geeta Pasi, Reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Your visit comes at the one-year anniversary of the Caretaker Government, which is struggling to rehabilitate areas of the country devastated by Cyclone Sidr and to address food security issues while preparing for nationwide elections by the end of 2008. Bangladesh largely met the emergency needs of victims of the November 15 cyclone, due in part to assistance from USAID and the U.S. Pacific Command. The longer-term task of reconstruction will be particularly daunting given that Bangladesh is an impoverished country that already was hit by serious monsoon flooding earlier in 2007. These disasters come at a critical time for the Government, which has embarked on an ambitious political reform agenda that is to culminate in national elections by the end of next year.

¶2. (C) SUMMARY CONTINUED: Bangladeshis have embraced Caretaker Government (CTG) reforms to address chronic political corruption and violence. Many high-powered politicians and businessmen have been arrested on graft allegations. Public support for the Government, however, has been weakened by spiraling inflation, which crop damage from the cyclone has exacerbated. Politics is in a heightened state of flux, with two former prime ministers in jail facing trial on corruption charges and no politicians of similar stature coming to the fore. Behind the scenes, the army actively supports the Caretaker Government and appears to share our interest in seeing it succeed. We continue to emphasize the need for the Government to adhere to its election roadmap and to international norms of justice and human rights, while also addressing the basic needs of Bangladesh's population. We also continue to encourage dialogue among the Caretaker Government, political parties and the military to reach a consensus political vision for the way forward. END SUMMARY.

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CYCLONE RELIEF  
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¶3. (SBU) Cyclone Sidr slammed into the southern coast of Bangladesh on November 15, affecting the lives of 8.9 million people and resulting in as much as USD 2.3 billion in economic damage. The Government of Bangladesh (GOB) estimates that as many as 3,400 people died; loss of life was mitigated by strengthened disaster preparation, a focus of USAID's efforts here. (NOTE: Cyclones in Bangladesh of similar strength left 500,000 and 100,000 dead in 1970 and 1991, respectively. END NOTE.) Those who survived need food, water, shelter and a restoration of their livelihoods. The cyclone damaged or

destroyed over 1.5 million homes and more than 640,000 hectares of crops. About 350,000 farm animals were lost, and 95 percent of the fish and shrimp ponds that are the basis of the nation's lucrative aquaculture industry were damaged.

14. (C) The U.S. government, including the U.S. military, has played a key role in assisting Bangladesh with disaster relief and management before, during and after Cyclone Sidr. In the past, USAID provided disaster management assistance to Bangladesh that was important for warning residents about the cyclone's approach and sheltering people when the cyclone made landfall. Immediately after the cyclone struck, the USG provided USD 19.5 million in emergency relief as well as desperately needed airlift to deliver food, water and clothing to remote areas. Operation Sea Angel II was a success, both in its mission to provide humanitarian assistance and disaster relief and in highlighting strong U.S. relations with a moderate Muslim nation.

15. (C) Now that the immediate crisis has passed we are focused on longer-term reconstruction and rehabilitation. USAID is proposing the USG continue its cyclone relief efforts with an additional USD 115 million over the next three years to help rebuild agriculture and aquaculture industries, reconstruct rural electrification networks, and mitigate future disasters. We also are recommending an emergency allotment of 100,000 metric tons of food to assist Bangladesh with food security; the nation's food stockpiles could be depleted by spring as Bangladesh struggles to meet the medium-term needs of cyclone victims.

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THE POLITICAL SCENE  
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16. (C) The Caretaker Government (CTG) came to power in January 2007 as political violence was spinning out of control in the run-up to scheduled elections later that month. The CTG, made up of 10 non-political advisers and strongly supported by the military, imposed a state of emergency and began cracking down on endemic political corruption and violence. The crackdown initially won broad public support, but frustration with the CTG spilled onto the streets in late August when a dispute at Dhaka University between students and soldiers became a rallying point for thousands of Bangladeshis disaffected by inflation, other economic woes and restrictions on political activity. The CTG stopped the protests by imposing a curfew backed up by a show of force from the army. Government leaders acknowledged privately to us and others the need to stick to the elections roadmap, to open up political discourse, and to communicate more effectively with the public.

17. (C) Bangladeshis welcomed in September an easing of the ban on politics and the initiation of formal dialogue between the Election Commission and the parties on political reform. The relaxation of the ban threw internal party disputes into sharp relief. The most visible struggle is within the Bangladesh Nationalist Party (BNP), which governed the country from 2001 to 2006 under former Prime Minister Khaleda Zia. When jailed in early September, Zia fired the reform-minded party Secretary General and replaced him with a loyalist. In a contested party meeting in early November, two reformist party leaders were named acting chairman and acting secretary general, but the appointments have been hotly contested by Zia loyalists. The Awami League, the other major party, has also experienced internal strife between reformers and loyalists to former Prime Minister Sheikh Hasina, but both sides accept her hand-picked protege as acting party president while she is in jail. Army Chief General Moeen Uddin Ahmed repeatedly has stated that he has no political ambitions, even as he assumes by default a higher public profile than the Chief Adviser, who is the top

official in the CTG. On December 26, Education and Cultural Affairs Adviser Ayub Quadri took responsibility for the loss of two priceless artifacts en route to an exhibition in Paris and became the first of the CTG,s 10 advisers to resign. Since then, rumors of a broader Cabinet shuffle have intensified.

¶8. (C) In the midst of this political jockeying, voter registration continues in preparation for national elections scheduled by December 2008. While the mechanics of holding elections seem to be largely on track, there is still much debate about an "exit strategy" for the Caretaker Government and the military, who want to ensure a newly elected government maintains reforms and refrains from settling scores. They fear retribution from a resurgent political class that has been the main target of the anti-corruption campaign.

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ECONOMIC CHALLENGES  
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¶9. (C) Cyclone Sidr exacerbated worsening economic trends in Bangladesh. Inflation was becoming a serious problem even before the cyclone destroyed crops, and investment was slowing as businessmen assessed the effects of the anti-corruption drive and the CTG,s implementation capacity. High world prices for food and fuel hit Bangladesh hard in the wake of severe monsoonal flooding in the summer. Cyclone reconstruction is yet another enormous economic burden the current government must shoulder, albeit with assistance from the international community. The Asian Development Bank estimates GDP growth in Bangladesh this year will fall below 6.0 percent from last year's growth of 6.5 percent. Bangladeshis are excited about the potential for the proposed New Partnership for Development Act to boost the economy by providing duty-free access to the U.S. market for ready-made garments, which is the country,s main export. Bangladesh remains interested in receiving Millenium Challenge Corporation assistance but does not yet meet all of the eligibility requirements.

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YOUR VISIT  
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¶10. (C) Your visit to Bangladesh will underscore continued USG support for Bangladesh and the CTG as it works to respond

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to the cyclone's devastation and to keep the country on the path to free and fair elections by the end of 2008. Bangladesh is a moderate Muslim-majority nation that has played a responsible role internationally (especially in peacekeeping operations) and is going through a difficult political transition. In your meetings you should focus on the importance the USG places on engagement and strengthening the bilateral relationship. You should also focus on our commitment to remain engaged in helping Bangladesh recover from the cyclone and prepare for future natural disasters. In your meetings with political party leaders you should encourage them to promote democratic reforms within their parties. You should also encourage political parties, the government and military to return Bangladesh to democracy and to rid the country of endemic political corruption and violence.  
Pasi